Investment Idea

Kimlun Corporation Berhad

Attractive valuations

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BUY

Price: RM1.36
Target price: RM2.19

Kimlun Corporation Berhad (KIMLUN, 5171) is a Johor-based construction group with a diversified business model spanning across construction and engineering, manufacturing and trading of building materials. Presently, the company has outstanding construction and manufacturing order book of more than RM4.2bn and RM300M respectively providing earnings visibility for the next 3 years. Hence, we expect KIMLUN to register earnings of RM85.3m for FY26 and RM85.3 for FY27. BUY with target price of RM2.19 based on 10x PER (5-year average) over FY26 EPS. We like Kimlun for its (i) strong orderbook, (ii) potential beneficiary within the JS-Special Economic Zone and (iii) expanding Singapore business.

KIMLUN's secured construction job wins totalling RM2.8bn in 2025. Key projects include RM271.5m awarded by Melia Spring SB for two blocks of serviced apartments in Pulai, scheduled for completion by the 3Q2028. This is followed by a RM176.2m contract from Permas Jaya SB for serviced apartment blocks in Plentong, due by 4Q2028, and a RM170m contract from CJ Developments SB, expected to be completed by the 2Q2028.The company's on-going projects and sales orders comprises of contracts secured from Samling Resources SB, Eco World Development Group, UEM Sunrise, S P Setia and China Communications Construction Company Ltd.

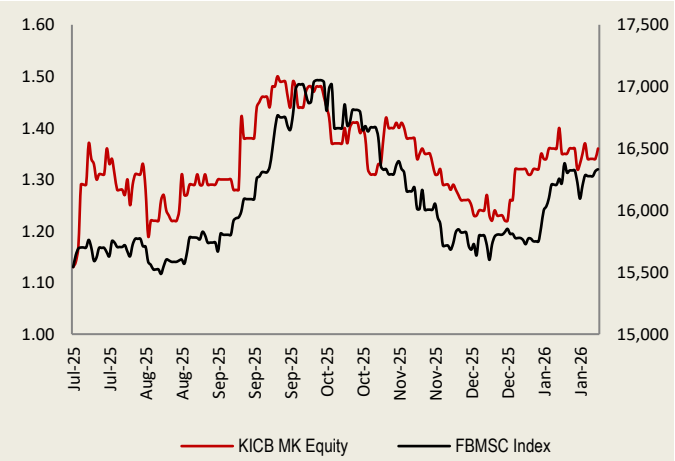
Singapore represents a potential medium- to long-term growth market for KIMLUN, given the strong alignment between its core competencies in infrastructure construction and precast concrete manufacturing and Singapore's infrastructure requirements. The continued rollout of mass transit and tunnelling projects presents opportunities for KIMLUN's precast division, which is well aligned with specifications set by the Land Transport Authority. According to the Building and Construction Authority, total construction demand in Singapore is projected to average between SGD39bn and SGD46bn annually from 2026 to 2029.

KIMLUN stands to benefit from supportive macro trends, particularly the resurgence of infrastructure developments in Malaysia with project spanning across Johor, Sabah, and Sarawak, with key projects such as MRT3 and Pan Borneo Highway Phase 2.

The company has a net gearing of about 0.87x as of 9MFY25. KIMLUN does not have a formal dividend policy; however, it has been paying between 14% and 44% from its net profit to shareholders over the past 14 years except for 2021 and 2022 due to the pandemic. We are projecting KIMLUN to pay dividend of 3.3sen for FY26 based on a payout ratio of 15%, translating into yield of 2.5%.

Technically Speaking

Resistance level	RM1.39
Support level	RM1.31



KLCI	1,771.25
YTD FBM KLCI change	5.4%
YTD FBM SC Index change	3.6%
YTD stock price change	3.8%

Stock Information

Market Cap (RM'm)	528.6
Issued Shares (m)	388.7
52-week range (H)	1.52
52-week range (L)	0.81
Sharia Compliant	Yes

Major Shareholders

Phin SB	28.45%
Pang Yon Tin	8.97%
Pang Khang Hau	5.47%

Summary Earnings Table

FY Dec (RM'm)	2024	2025E	2026F	2027F
Revenue	1,207.4	1,569.6	1,742.3	1,881.7
EBITDA	125.1	170.9	179.2	189.8
Pretax profit	68.4	108.4	109.9	114.9
PATMI	51.2	85.7	85.3	88.1
Core PATMI	**51.2**	**85.7**	**85.3**	**88.1**
Consensus	-	84.0	82.0	86.0
Core FD EPS (sen)	14.5	22.0	21.9	22.7
EPS growth (%)	626.4%	52.0%	-0.4%	3.3%
DPS (sen)	2.0	3.3	3.3	3.4
PER (x)	9.4	6.2	6.2	6.0
BV/Share (RM)	2.16	2.13	2.32	2.51
ROE (%)	6.9%	11.4%	9.9%	9.4%
Div. Yield (%)	1.5%	2.4%	2.4%	2.5%

Sources: Company, Rakuten Trade Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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